

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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R 091310Z FEB 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1519
INFO AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

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E.O. 11652: N/A
TAGS: USEGJC, EINV
SUBJECT: INVESTMENT IN EGYPT: LEGAL AND PERSONNEL CHANGES

REF: (A) CAIRO 1374, (B) STATE 17873 (C)CAIRO 2274 (AIDAC)

1. THE EGYPTIANS ARE ACTIVELY SOLICITING--AND REPORTEDLY CAREFULLY CONSIDERING--REACTIONS TO THE LIST OF PROPOSED MODIFICATIONS TO LAW 43 THAT WERE RECENTLY PROMULGATED (REF A). TIMING OF CODIFYING REVISIONS INTO THE LAW FOR PRESENTATION TO CABINET AND PEOPLES ASSEMBLY IS SAID TO BE END FEBRUARY, ALTHOUGH FURTHER DELAYS MAY OCCUR.

2. EMBASSY HAS HAD MEETING WITH NIAZI MUSTAFA, WHO HAS BEEN ASKED TO MAKE INPUT ON BEHALF OF EGYPTIAN HALF OF JOINT BUSINESS COUNCIL. WE PROVIDED HIM WITH COPIES OF DOCUMENTS WE HAVE GIVEN TO PM SALEM AND VARIOUS OTHER GOE OFFICIALS OVER THE PAST TWO YEARS AND CANDIDLY DISCUSSED OUR VIEWS BASED ON CONSIDERABLE EXPOSURE TO THOSE OF
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INVESTORS. WE WILL ALSO MAKE SET OF DOCUMENTS AVAILABLE TO NIMECON SAYEH (DIRECTLY THROUGH GAMAL EL NAZER). MUSTAFA, AS WELL AS MAJORITY OF EGYPTIANS, TENDS TO VIEW US JBC (SUTER) REPORT AS A COMPILATION OF COMPLAINTS, TRANSCENDING ISSUE OF LAW 43 AND ITS SUITABILITY. (OUR EFFORTS TO POINT OUT UTILITY OF THIS APPROACH HAVE NOT EVEN BEEN SUCCESSFUL WITH MUSTAFA, WIDELY RECOGNIZED AS ONE OF

THE BEST PRIVATE-SECTOR REPRESENTATIVES AROUND.) AT THIS MOMENT, THEREFORE, IT DOES NOT APPEAR THAT THIS EXCELLENT DOCUMENT WILL BE FULLY UTILIZED. WE SHALL CONVEY CONTENTS OF REF B, WITH APPROPRIATE PROTECTION OF SOURCE, AS A DISTILLATION OF FAILINGS ON WHICH MOST OBSERVERS AGREE.

3. FORD FOUNDATION, WORKING THROUGH THE INTERNATIONAL LEGAL EXPERT THEY HAVE ADVISING ECON MINISTRY, HAS OFFERED TO SPONSOR A SEMINAR ON THE SUBJECT IF ASKED (AND THEY PROBABLY WILL BE), TO WHICH VARIOUS EXPERTS WOULD BE INVITED IN ORDER TO PROVIDE THEIR VIEWS. OTHER EMBASSIES AND ORGANIZATIONS HAVE ALSO BEEN ASKED TO PROVIDE COMMENTARY, AND WE HAVE IMPRESSION MINECON EL SAYEH AND HIS INVESTMENT AUTHORITY WILL HAVE A FAIR AMOUNT OF MATERIAL TO WORK THROUGH IF THEY WISH.

4. IN A CLOSELY RELATED MATTER, CAIRO IS THICK WITH RUMORS OF IMPENDING CHANGES WITHIN THE INVESTMENT MACHINERY. ABDEL MONEIM ROUSHDI, CURRENTLY VICE CHAIRMAN OF THE INVESTMENT AND FREE ZONES AUTHORITY (EL SAYEH IS CHAIRMAN), IS RUMORED TO BE ON HIS WAY OUT, RETURNING TO THE BANKING SECTOR FROM WHICH HE CAME TO BE CHAIRMAN OF THE NATIONAL BANK OF EGYPT. HIS REPLACEMENT WILL BE EITHER ABDERRAZAK ABDEL MEGUID (FRONTRUNNER), FORMER DEPMINPLAN AND ADVISOR TO PM SALEM, OR SHOUKRI EL NAHAL, U/S IN MINTRADE AND FORMER MINISTER IN A.R.E. EMBASSY IN WASHINGTON. WHICHEVER DOES NOT GET THE JOB IS REPORTEDLY SLATED TO REPLACE LIMITED OFFICIAL USE

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ADLY ABDEL MEGUID IN NEW YORK. (BOTH OF THEM WANT NEW YORK, (OR AT LEAST THE US), AND CREATION OF AN EGYPTIAN PURCHASING MISSION MAY PROVIDE TWO JOBS, PERMITTING THEM BOTH TO GO, WITH EL NAHAL TAKING ON THE PURCHASING MISSION.

5. COMMENT. DEPARTURE OF ROUSHDI HAS BEEN EAGERLY AWAITED BY THOSE WHO VIEW HIM AS AN OBSTACLE TO AND OPPONENT OF FOREIGN INVESTMENT. IT HAS NEVER BEEN CLEAR HOW MUCH OF THE PROBLEM WAS LAW 43 AND GOE INSTRUCTIONS/ ATTITUDES, AND HOW MUCH WAS RUSHDI ET AL, BUT A CHANGE IN BOTH SHOULD HELP THE SITUATION CONSIDERABLY.

6. IN THIS CONNECTION, WE ARE REPORTING (SEPTTEL) ON THE CURRENT STATUS OF FOREIGN INVESTMENT, WITH PARTICULAR ATTENTION TO SPECIFIC COMPANY PROPOSALS, WHERE AVAILABLE, AND THE ATTITUDE OF INVESTORS IN LIGHT OF THE RECENT RIOTS.
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